

Commission Meeting Minutes
October 14, 2015
Sturbridge Host Hotel & Conference Center
366 Main Street, Abington Room, Sturbridge, MA

Chairman Brown called the meeting to order at 10:38 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, John Langan, James Machado, Robert McCarthy, and Gerald McDonough.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel/Deputy Director John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Director of Strategic Planning Mike DeVito, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Compliance Analyst Cheryl Johnson, Director of Administrative Services Caroline Carcia, Chief Auditor Harry Chadwick, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Kathleen Kiely-Becchetti representing MACRS and the Norfolk County Retirement Board, and Katie McCue representing MMA.

Commissioner Fontaine made a motion to adopt the Commission meeting minutes from September 9, 2015. Commissioner Fitzpatrick seconded the motion and the minutes were unanimously adopted.

Legal Update

Ms. Corrigan reported on the *Coppola v. Revere Retirement Board and PERAC*, CR-15-412 (October 2, 2015) and *Guido v. Revere Retirement Board and PERAC*, CR-12-442 (October 2, 2015) cases.

Mr. Moitoso explained the *Mello v. Fall River Retirement Board*, CR-13-315 (August 7, 2015); and *Sarro v. Bristol County Retirement Board & PERAC*, CR-09-242 (August 7, 2015) cases.

Ms. Corrigan distributed an Order to Show Cause in the matter of *Michael McLaughlin v. Chelsea Retirement Board* along with the press release from the United States Attorney's Office. Mr. McLaughlin is ordered to show good cause why this matter should not be dismissed on or before November 7, 2015. Ms. Corrigan stated that if Mr. McLaughlin does not provide sufficient evidence the appeal will be dismissed.

Mr. Connarton stated that as *Mello* goes forward the definition of "reasonable medical treatment" is being changed and is not necessarily a good thing. He suspects that as this case goes forward, other cases will come up which may be problematic.

Legislative Update

Mr. DeVito reported that FY'16 Budget, Outside Section 54, has passed into law as part of Chapter 46 of the Acts of 2015. He explained that Governor Baker vetoed Outside Section 55 and now the legislature has until November 18, 2015 to override that veto.

He then reminded the Commission that H. 3566, PERAC's Concurrent Beneficiaries legislation was heard by the Joint Committee on Public Service on July 21, 2015 and no further action has been taken since. He then reported that H. 17, PERAC's bill which would authorize the Commission to hold hearings in Section 15(7) matters has been scheduled for a hearing on November 10, 2015 in Room A1 in the State House.

Mr. DeVito also reported that the Joint Committee of Public Service will host a hearing on October 20, 2015 pertaining to educational related creditable service, among other items of interest.

Audit Update

Mr. Chadwick reported that the Audit staff is currently auditing the Andover, Brockton, and Maynard Retirement Systems. He then stated that the Pittsfield and Shrewsbury (no findings) Retirement System's audit reports have been posted on the PERAC Web Page and explained the finding in the Pittsfield audit.

Compliance Update

Mr. O'Donnell stated that there have been more than 1000 educational credits earned for this calendar year and that doesn't include the credits earned at the MACRS conference, which was well attended with strong participation. He then stated that one (1) vendor has not filed the Procurement Disclosure Forms. Ms. Morrison has spoken with this gentleman and reported that he indicated that he would comply. Mr. O'Donnell then reported that 54 acknowledgements have been approved for various boards for this calendar year. One of the problems that we have encountered is in the "Outsourced CIO Program" which has become very popular and is being utilized by SEI. Outsourced CIO Programs are complex and include many challenges.

Mr. Connarton stated that Ms. Johnson is working with the senior managers at SEI. At one time SEI agreed that they could work with a 3 prong approach and they now report that they cannot comply. He further reported that PERAC is concerned about some systems looking at investment changes who have not filed their cash books. He then stated that we are continuing to work with SEI because they want to compete with PRIM and work with the retirement systems in Massachusetts whereas State Street Bank is now taking a hands off approach. He stated that the Stoneham Retirement Board seems to have a very different tone than SEI regarding these issues.

Mr. Martin distributed a letter that was sent to SEI regarding this issue. Because we have done so much work with SEI we hope that an agreement can be made prior to the next Commission meeting.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting. He reported that he met with Representative Garrett Bradley to discuss outside section 55 and other issues of concern. He also reported that Mr. Parsons, Mr. Charles, and he had a positive meeting with Representative James Murphy, Chairman of Joint Committee on Public Service, and discussed Chapter 176, H. 17, disabled retirees in the media, and return to service in the same or similar position. He then stated that a hearing has been scheduled for H. 17 on November 10, 2015.

Mr. Connarton updated the Commission that in accordance with Commission Policy Number 99-001, the Commission's final budget and actual spending numbers have been distributed as required to the Public Service Committee, Ways and Means, and Administration and Finance. He stated that PERAC had an unexpended balance of \$674,587.29 for fiscal year 2015.

Mr. Connarton stated that the Emerging Issues Forum at the College of the Holy Cross in Worcester was held on Thursday, September 17, 2015. He stated that 265 individuals attended. There has been a lot of positive feedback especially on the media section.

Mr. Connarton reported that four (4) public hearings were held regarding the proposed Disability and Election draft regulations. He then outlined the Regulation Process with the timetable provided and explained that the last day for submitting comments was Friday, October 9, 2015. Staff will be prepared to discuss all written comments and possible changes to the Disability and Election draft regulations at the December Commission meeting. Commissioner McCarthy requested sending the regulations back to the Sub-Committee to discuss further, but the full Commission would rather discuss at the next Commission meeting.

Mr. Connarton reported that a board member appointment has been made in Hull and that the Hull Retirement Board is now fully complemented.

Mr. Connarton then reported that the Norfolk County and Boston Retirement Boards have submitted their cash books. The Belmont Retirement Board is having some cash book and personnel issues and he will update the Commission as necessary.

The Leominster Retirement Board held a special meeting specifically to rescind the remote participation option per 940 CMR 29.10 as overseen by the Attorney General. We have notified the Attorney General pertaining to the matter and await their response.

Mr. Connarton stated that there is a post retirement issue in Fall River and he has reached out to the Mayor's Chief of Staff. The two (2) individuals in question work full-time but are being paid on a part-time basis. He commented that it is difficult to quantify volunteerism. Our legal unit is reviewing the statute which speaks to 960 hours in service and what that means for these individuals who are providing free time. The Commissioners had a few comments about this issue such as job description, salary, the very public positions that are held, and the difference of excess earners versus excess workers.

Mr. Connarton briefly mentioned the NCPERS Code of Conduct white paper that was released on September 15, 2015.

Mr. Connarton reported that several PERAC staff provided various presentations at the MACRS event which were well received. There were credits awarded to board members in attendance.

Mr. Connarton then reminded the Commission about the Strategic Planning Event being held on Monday, October 19, 2015 at Bentley College.

Commissioner McDonough inquired if there will be an opportunity to discuss the investment return assumption prior to the Tax Revenue Hearing. Mr. Martin stated that there will be an opportunity as the 1/1/16 actuarial valuation would be affected and that the Commission will be apprised prior to the Hearing. He discussed this matter with Mr. Lamenza, who expects there would be some sort of discussion of a reduction in the assumption.

Mr. Connarton expects that this discussion will occur within the next month or so.

Other Business

Mr. Connarton reported that the next Commission meeting is scheduled for December 9, 2015 and will be held at PERAC, 5 Middlesex Avenue, Somerville.

Commissioner McDonough made a motion to change this meeting to December 2 at 2:00 PM. Commissioner Fontaine seconded the motion and the motion was unanimously adopted.

Commissioner McDonough made a motion to adjourn the meeting. Commissioner Fitzpatrick seconded the motion. The Commission meeting adjourned at 11:41 AM.

Commission Meeting Documents

Commission Agenda for the meeting of October 14, 2015

Commission Minutes for September 9, 2015

Legal Update

Michael McLaughlin v. Chelsea Retirement Board, CR-11-731, *Coppola v. Revere Retirement Board & PERAC*, CR-15412 (October 2, 2015), *Guido v. Revere Retirement Board & PERAC*, CR-12-442 (October 2, 2015), *Mello v. Fall River Retirement Board*, CR-13-315 (August 7, 2015), *Sarro v. Bristol County Ret Board & PERAC*, CR-09-242 (August 7, 2015)

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audits

Compliance Update

Letter from PERAC to Norfolk County Retirement Board regarding the Consulting Report

Letter from PERAC to Stoneham Retirement Board regarding the SFI investment

Executive Director's Report

Updated Staff Activities Memo

Letters of notification pursuant to Policy 99-001

Updated Regulation Schedule

Letters and articles regarding Leominster Retirement Board Members

Letter from D.J. Ferry regarding a Fraud Report in Fall River

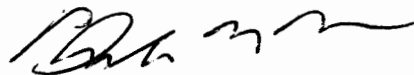
NCPERS Code of Conduct white paper released on September 15, 2015

Other Documents Distributed at Meeting

Michael McLaughlin v. Chelsea Retirement Board, CR-11-731 – Order to Show Cause

Letter from PERAC to SEI regarding Stoneham Retirement Board investment

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission